

# *SRC Key Initiatives*

## Getting Washington Back to Work

Final 2004



### **Workers' Compensation**

*"The workers' compensation system needs an overhaul. Over the past two years, employers and workers on average have had to swallow a 40 percent hike in their workers' comp rates. "*

After raising injured workers' compensation rates by an average of 29.5 percent for 2003 for employers and employees, the Department of Labor and Industries increased these rates again, this time by an average of 9.4 percent for 2004. This latest hike threatens current jobs and makes the creation of new jobs even more difficult.

Republicans led an effort in the Senate to enact a workers' compensation reform package. The goal is to stabilize the state's workers' compensation system so the large and unpredictable rate increases in recent years don't occur every year.

### **Providing for the immediate suspension of a provider if there are concerns about treatment (SSB 6428)**

This measure allows L&I to take quick action to stop a questionable health provider from treating an injured worker.

***Testified For:*** Washington Food Industry, AWB

***Testified Against:*** none

***Status:*** Signed into law

### **Liability to L&I for workers' compensation premiums, overpayments and penalties (ESHB 3188)**

This measure defines "fraud" in respect to claimants filing false information and receiving overpayment of benefits. It increases successor liability for industrial insurance premiums owed by predecessor businesses. It requires that subcontractors must have an industrial insurance account in good standing for the contractor to be exempt from liability. It establishes corporate officer liability for premiums owed with a corporation goes out of business. It authorizes L&I to use statutory collection procedures when a health care provider is overpaid.

**Note:** This bill was held on First Reading and did not go through the committee process in the Senate. **In the House:** Elements of HB 3058 (relating to benefit fraud), HB 3059 (relating to liability for industrial insurance premiums) and HB 3060 (relating to collection of provider overpayments) were included in ESHB 3188. L&I and business testified in support of HB 3058, while the trial lawyers testified against it. L&I, business and labor testified in favor of HB 3059 while BIAW opposed it. L&I and AWB supported HB 3060 while the Medical Association had concerns about HB 3060.

**Status:** Signed into law

### **2SSB 5378 – Streamlining and adding predictability to workers' compensation benefits (2SSB 5378)**

This measure simplifies and adds certainty to workers' compensation benefits. Wages are calculated by using the highest four consecutive quarters in the last two years. Fringe benefits (such as health care benefits) aren't included in the calculation of wages, and compensation is paid for lost wages at 65.5 percent of a worker's wage. Under this calculation, 71.2 percent of workers would see an increase in time-loss payments, 26.9 percent would see a decrease, and about 2 percent would see no change in their time-loss payments. A flat rate is used by 45 states. The bill would save \$141 million in the state's accident account for the rest of the 2003-05 biennium and \$21.8 million per biennium in the future.

**Testified For:** Sellen Construction, Retail Association

**Testified Against:** Labor Council, Building Trades, Pulp and Paper Workers, L&I

**Status:** Passed Senate 25-23, died in House Commerce and Labor Committee

### **Giving self-insurers more autonomy and authority over their claims (ESB 6317)**

This measure gives self-insurers the power to process many aspects of a workers' compensation claim without prior approval from L&I. The backlog of self-insurer cases awaiting L&I approval is growing.

**Testified For:** Self Insurers Association, Boeing, Alaska Airlines

**Testified Against:** L&I, Trial Lawyers Association, Labor Council, WA State Building and Construction Trades Council

**Status:** Passed Senate 29-20, died in House Commerce and Labor Committee

**Requiring L&I to adopt a plan that stops the misuse of worker and employer premiums (SSB 6391)**

This measure requires L&I to use the “Priorities of Government” process in regards to spending, and it directs OFM to come up with a funding plan that doesn’t include the use of accident and medical aid funds (worker and employer premiums) for purposes other than workers’ compensation.

**Testified For:** *Evergreen Freedom Foundation, AWB*

**Testified Against:** *Labor Council, Washington State Building and Construction Trades Council, L&I*

**Status:** *Passed Senate 28-22, died in House Commerce and Labor Committee*

**Requiring timely reports of on-the-job injuries (ESSB 6395)**

This measure makes changes to policies dealing with the reopening of injured worker claims. In order to alter benefits, a closed claim must be reopened. L&I must accept or deny the reopening of a claim within 90 days of application. A worker must notify the employer of an accident within five days. This is a very important issue for the state’s agriculture industry.

**Testified For:** *Farm Bureau*

**Testified Against:** *Trial Lawyers Association, Labor Council, Teamsters, Washington State Building and Construction Trades Council*

**Status:** *Passed Senate 30-19, died in House Commerce & Labor Committee*

**Increasing accountability in L&I (SSB 6414)**

Both an audit and financial controls are needed in order to independently assess the need for L&I to raise its workers’ compensation premium rates. Under this measure, JLARC and the office of the State Actuary must conduct annual audits of L&I’s state fund (which pays for workers’ compensation benefits) beginning in 2005, including a separate actuarial audit. Both audits would be done by independent firms. The legislative auditor determines the scope of the audits. A report on both audits must be given annually by the legislative auditor to the Legislature, OFM, attorney general and L&I. L&I must let the legislative auditor know within six months what steps it has taken in response the audits’ recommendations.

**Testified For:** *BLAW, Price Waterhouse Coopers, Independent Business Association, NFIB, AWB*

**Testified Against:** *Association of Western Pulp and Paper Workers, Labor Council, AFL-CIO*

**Status:** *Passed Senate 35-14, died in House Commerce and Labor Committee*